

304.50-055 Plans for premium payment, assessments, and dividends -- Approval by executive director -- Investments.

- (1) A workers' compensation self-insured group shall establish plans for premium payment, determination and collection of assessments, and for declaration and payment of dividends or other disbursements, which shall be filed for prior approval with the executive director. Any change in the plans for premium payment, assessments, or dividends shall be filed for prior approval with the executive director. Approval of plans for assessments and dividends does not constitute approval of any particular assessment or dividend by the executive director.
- (2) Prior to the inception of each group member's self-insurance year, the trustees shall collect from that member at least twenty-five percent (25%) of the estimated premium for the ensuing year, except that in the case of a self-insured group formed by governmental entities twenty-five percent (25%) of the estimated premium for the ensuing year shall be collected no later than thirty (30) days after the beginning of the self-insured group's self-insurance year. The balance of the estimated premium shall be collected in either quarterly or monthly installments as set forth in the enabling documents described in KRS 304.50-030(2)(b) or 304.50-060(2)(b). Each group member's payroll shall be audited annually and an adjustment to premium shall be made accordingly.
- (3) A disbursement from a workers' compensation self-insured group fund shall be for a purpose related to the self-insured group. A dividend shall not be approved or paid until at least thirty-six (36) months after the expiration of the self-insurance year and shall be paid from surplus funds not required for payment of claims or other liabilities. The dividends shall be paid or credited to members according to the reasonable classifications the trustees may establish. A dividend shall not be paid which unfairly discriminates between members of the same classifications. A dividend plan shall specify whether past group members are eligible for the dividend. Payment of a dividend under a dividend plan shall not be made unless the self-insured group has notified the executive director of its intent to make a dividend payment at least thirty (30) days prior to the payment, and the executive director has not disapproved the payment within that time.
- (4) The formula to be used for collection of assessments shall be determined by the trustees and approved by the executive director. Assessments shall be fair and equitable and shall not unfairly discriminate between members of the same classification.
- (5) A trustee, fiscal agent, or service organization shall not utilize an asset of the self-insured group for a purpose unrelated to workers' compensation. The trustees shall maintain cash or cash equivalent accounts as may be prudently necessary to pay expenses without having to liquidate long-term investments.
- (6) The trustees may invest funds in:
 - (a) United States Government bonds, United States Treasury notes, Treasury bills, or other direct obligations guaranteed by the full faith and credit of the United States Government and its agencies;

- (b) Tax exempt obligations issued by the Commonwealth of Kentucky or its agencies with a minimum rating of "A" by Standard & Poor;
 - (c) Obligations issued by a county, district, municipality, or other legal authority within the Commonwealth with a minimum rating of "AA" by Standard & Poor;
 - (d) Investment share accounts in a savings and loan association in the Commonwealth whose deposits are insured by a federal agency;
 - (e) Certificates of deposit if issued by a duly chartered commercial bank in the Commonwealth;
 - (f) Individual equity securities actively traded on the New York or NASDAQ Stock Exchanges with no individual equity holding comprising greater than ten percent (10%) of the equity portion of the portfolio at the time of purchase.
 - 1. An investment in an individual equity holding shall not represent at the time of purchase more than five percent (5%) of the total market value of the security.
 - 2. Investments in equity securities shall not exceed twenty percent (20%) of the total market value of the investment portfolio of the self-insured group at the time of purchase;
 - (g) Corporate bonds if:
 - 1. The bond is issued, assumed, or guaranteed by a solvent institution created or existing under the laws of the United States, or a state, province, district, or territory;
 - 2. The corporate bond investments do not exceed fifteen percent (15%) of the total market value of the investment portfolio at the time of purchase; and
 - 3. The bond has a minimum rating of "A" by Standard and Poor; and
 - (h) Mutual funds that are registered investment advisors licensed by the Security and Exchange Commission and the Commonwealth to perform investment services. Investments in mutual funds shall not exceed twenty percent (20%) of the total market value of the investment portfolio at the time of purchase.
- (7) Of the aggregate investments made by the trustees of the self-insured group under this section:
- (a) Not less than seventy-five percent (75%) of the total market value of the entire investment portfolio shall be held in cash, cash equivalents, or securities as described in subsection (6)(a) of this section; and
 - (b) A minimum of fifteen percent (15%) of the total investment portfolio value shall be maintained in cash or cash equivalent accounts or United States Treasury and Federal Agency Securities with a remaining maturity of one (1) year or less.
- (8) The executive director may permit variation from the requirements of this section for good cause.

Effective: March 1, 2005

History: Created 2005 Ky. Acts ch. 7, sec. 11, effective March 1, 2005.

Legislative Research Commission Note (3/1/2005). 2005 Ky. Acts chs. 11, 85, 95, 97, 98, 99, 123, and 181 instruct the Reviser of Statutes to correct statutory references to agencies and officers whose names have been changed in 2005 legislation confirming the reorganization of the executive branch. Such a correction has been made in this section.

Legislative Research Commission Note (3/1/2005). 2005 Ky. Acts ch. 7, which creates this section, contains the enrolled text of Senate Bill 86 as amended by a Senate committee substitute. In drafting the committee substitute, an additional subsection was inserted into this section, but a reference to "subsection (5)(a) of this section" in subsection (7) was not changed to reflect this addition. Pursuant to KRS 7.136(1), the reference has been changed to "subsection (6)(a) of this section" in codification.